

Message Text

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SUBJECT NEW YORK TIMES ARTICLE ON EX-IM BANK

THE FOLLOWING ARTICLE BY ANN CRITTENDEN APPEARED IN THE AUGUST 10 EDITION OF THE NEW YORK TIMES. QUOTE
HEADLINE: CITIBANK SUES EX-IM BANK AND AGENT ON ZAIRE LOAN. CITIBANK SAID YESTERDAY THAT IT WAS SUING THE EXPORT-IMPORT BANK AND ITS AGENT, THE MANUFACTURERS HANOVER TRUST COMPANY, FOR ATTEMPTING TO ARRANGE A PREFERENTIAL REPAYMENT FACILITY FOR EX-IM BANK LOANS TO ZAIRE. CITIBANK FILED THE SUIT IN THE UNITED STATES DISTRICT COURT.

THE AGREEMENT BETWEEN THE EXPORT-IMPORT BANK AND ZAIRE PROVIDED THAT A PORTION OF THE PROCEEDS FROM ZAIRE'S COPPER SALES IN EUROPE, INSTEAD OF BEING TRANSFERRED TO THE BANK OF ZAIRE, WOULD BE PAID DIRECTLY TO THE EX-IM BANK TO SERVICE 307 MILLION DOLLARS IN LOANS AND GUARANTEES TO THE ECONOMICALLY DISTRESSED AFRICAN NATION.

DESCRIBING THE ARRANGEMENT, WHICH HAS NOT YET GONE INTO EFFECT, A SPOKESMAN FOR THE EX-IM BANK, A FEDERAL
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AGENCY SET UP TO HELP FINANCE UNITED STATES EXPORTS, SAID

"THE WHEEL THAT SQUEAKS LOUDEST GETS THE GREASE."

THE CITIBANK SUIT APPARENTLY SEEKS INJUNCTIVE RELIEF TO STOP THE AGREEMENT FROM PROCEEDING. A BANK SPOKESMAN SAID THE LEGAL MOVE WAS MADE AFTER NUMEROUS MEETINGS WITH THE EX-IM BANK IN WHICH CITIBANK AND OTHER COMMERCIAL BANK CREDITORS OF ZAIRE COMPLAINED THAT SUCH A PREFERENTIAL FACILITY WOULD CREATE A DANGEROUS PRECEDENT IN INTERNATIONAL LENDING.

CITIBANK SAID THE AGREEMENT WOULD VIOLATE AN EARLIER CREDIT ARRANGEMENT BETWEEN CITIBANK, ZAIRE AND 10 OTHER COMMERCIAL BANKS COVERING PAYMENTS ON A LOAN OF 50 MILLION DOLLARS TO ZAIRE IN 1972. THE SUIT STATES THAT PAYMENTS ON BOTH PRINCIPAL AND INTEREST ON THE 1972 LOAN ARE IN DEFAULT.

THE CITIBANK SPOKESMAN SAID THAT WHEN A GOVERNMENT LENDER USES ITS INFLUENCE TO OBTAIN PREFERENTIAL TREATMENT FOR ITSELF, AT THE EXPENSE OF PRIVATE LENDERS, THE LATTER MIGHT BE RELUCTANT TO EXTEND FURTHER CREDIT TO FOREIGN GOVERNMENT BORROWERS. MOREOVER, HE ADDED, OTHER GOVERNMENT CREDITORS MIGHT BE TEMPTED TO DEMAND THE SAME PREFERENCES, AGAIN AT THE EXPENSE OF COMMERCIAL BANK LENDERS.

THE ISSUE IS A SENSITIVE ONE BECAUSE OF THE UNPRECEDENTED LEVEL OF COMMERCIAL BANK LENDING TO LESS DEVELOPED COUNTRIES IN RECENT YEARS.

UNITED STATES BANKS ALONE WERE OWED MORE THAN 40 BILLION DOLLARS AS OF MARCH 31 BY DEVELOPING COUNTRIES, AND IF ANY OF THOSE COUNTRIES WERE TO EXPERIENCE DIFFICULTIES IN SERVICING THEIR DEBTS, PRIVATE BANKS WOULD NOT WELCOME THE SIGHT OF GOVERNMENT CREDITORS STANDING AHEAD IN THE LINE FOR REPAYMENT. IN JUNE, ZAIRE HAD TO RESCHEDULE PAYMENTS DUE IN 1975-76 ON ITS FOREIGN DEBT OWED TO OR GUARANTEED BY GOVERNMENTS, REPRESENTING MORE THAN HALF OF THE NATION'S ESTIMATED FOREIGN DEBT OF 3 BILLION DOLLARS. IN ADDITION, ZAIRE HAS BEEN IN UNCLASSIFIED

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ARREARS ON ITS PAYMENTS ON 162 MILLION DOLLARS OWED TO THE 21 LARGEST AMERICAN COMMERCIAL BANKS.

AMONG ZAIRE'S CREDITORS WAS THE EX-IM BANK, WHICH HAD 32 MILLION DOLLARS IN LOANS INVOLVED IN THE JUNE RESCHEDULING. IN ADDITION, THE EX-IM BANK HAD EXTENDED LOANS AND GUARANTEES OF 239 MILLION DOLLARS IN 1973 FOR CONSTRUCTION OF THE INGA-SHABA POWER TRANSMISSION

LINE. ANOTHER 68 MILLION DOLLARS IN EX-IM BANK MONEY
WAS AUTHORIZED FOR ZAIRE IN THE SPRING OF 1976, ACCORDING
TO A BANK SPOKESMAN.

TO GUARANTEE THAT PAYMENT WOULD BE MADE ON THOSE CREDITS,
THE EX-IM BANK HAS REQUIRED THAT ZAIRE'S NATIONAL POWER
AGENCY ESTABLISH A TRUST ACCOUNT OUTSIDE ZAIRE THAT
WOULD RECEIVE PAYMENTS IN FOREIGN EXCHANGE FOR POWER
SOLD IN EUROPE, AND TRANSFER THE REQUIRED DEBT SERVICE
PAYMENTS TO THE EX-IM BANK'S COLLECTING AGENT, THE
MANUFACTURERS HANOVER TRUST COMPANY.

ALTHOUGH THE EX-IM BANK SPOKESMAN STRESSED THE TRUST
ACCOUNT WAS ONLY A "MECHANICAL DEVICE", AND NOT A LEGAL,
PRIOR LIEN ON THE COPPER PROCEEDS, THE ARRANGEMENT, ONE
INTERNATIONAL BANKER NOTED, "DEFINITELY PUTS OTHER,
PRIVATE CREDITORS IN A JUNIOR POSITION AS FAR AS THE
ZAIRIAN DEBT IS CONCERNED. UNQUOTE. ROBINSON

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